

Development of a Business Process Outsourcing Industry in Kenya: Critical Success Factors

Abstract:

Kenya is preparing itself to enter into the global and vibrant Business Process Outsourcing (BPO) and IT Enabled Services (ITES) market. It however lacks empirical evidence and tailored research to guide its policy decisions and investment options. There is demand and specific requests from the government and key stakeholders in the sector for this type of information. This policy brief is a synthesis of a study whose aim was to provide evidence and a deeper understanding of the imperatives for success in this industry to better inform Kenya's policy decisions and investment choices. It was carried out through a case study method to establish the critical success factors in four vendor countries (India, South Africa, Mauritius and Kenya) with relation to the policy, legal, regulatory and institutional frameworks; human resource issues; youth and gender issues; and various forms of incentives. The study also researched on the outsourcing issues in two client countries (UK and USA). The research found that in the three countries (excluding Kenya), the BPO-ITES industry is given a high priority, there is strong and appropriate legal framework and the industry associations are strong and are key in driving the BPO-ITES industry, while in South Africa the national and regional associations receive state funding. On human resources, the study found that India introduces children to science and technology at a very early age and it has a National Skills Registry and that in Mauritius, the national association was working with the government to create an ICT academy to train for the industry. The research found that countries had differing measures for gender equity, participation of youth in employment, and incentives in the BPO-ITES industry. It was particularly noted that South Africa did not have tax incentives but had a variety of investment and training and skills support incentives, while Mauritius had abolished all the tax incentives except for a 15% corporate tax. The study found that the key drivers in out-sourcing and off-shoring in both USA and UK were similarity in work culture and quality. The major industries where most of the outsourced work is derived were found to be in banking; investment management; insurance; legal; supply chain, logistics, transportation; healthcare; news, media & entertainment; energy and utilities; agriculture/food; pharmaceutical/biotech; government & public agencies; and manufacturing. It emerged that no African country featured in the top 10 preferred outsourcing destinations in the USA while in the UK, only Egypt in Africa was in the top three perceived best three destinations. For Kenya, the research found a widespread perception that it lacked an effective and focused marketing as a BPO destination. It also emerged that Kenya (and Africa in general) is viewed as a country (and continent) with challenged infrastructure, poor work culture/ethics and constraining socioeconomic environment. However, individuals/organizations that have had a chance to visit/interact with Kenya(ns) have a different testimony; Kenya has a high chance of being a favorable outsourcing destination if correct measures are put in place. The study contends that Kenya has key strengths, including a highly skilled and competitive pool of labour, neutral English accent, strategic location as a regional hub for communication and finance, and production of over 30,000 and over 250,000 university high school graduates annually, respectively. In addition, Kenyans generally have a warm and welcoming culture/attitude, due to the predominance of the tourism and hospitality industries in the economy. When the above strengths are considered, the provision of call centre/customer services an ideal niche for the country to carve for itself in the BPO space.

Kenya can also capitalize on its large pool of high school and diploma graduates to provide back office services such as transcription, digitization, data entry and various other data processing services. In addition, Kenya can use its excellent education system to create a niche in BPO-ITES training for the region. The key policy recommendations are: α) Development of a BPO sector policy as pledged in the medium term plan of Vision 2030. β) In order to address the lack of a strategy and a weak M&E framework, combine the results of this study with those of McKinsey&Company and create an informed strategy for the BPO sector in Kenya and strengthen the M&E functions of the KICTB and Vision 2030 Secretariat. γ) Create a single ICT-BPO sector and mainstream it into the national planning and operational frameworks. δ) In order to address the weak legal framework, strengthen existing laws to provide an enabling legal framework for ICT-BPO in the short-term, while in the medium- to long-term, develop separate legislations critical for ICT-BPO sector and compliant with relevant international laws. For youth and gender, amend the Employment Act, 2007 to explicitly regulate working hours for employees and to require employers to facilitate safe commuting at night. ε) Develop a BPO incentives framework as an integral part of the law that will transform EPZs into SEZs. In addition, provide tax, training and set-up incentives for a specific time period to encourage BPO industry growth, especially in the rural areas. φ) In order to address the lack of standards, develop BPO standards, benchmarked to international standards and ensure all key BPO firms adopt these standards. γ) For institutional framework, change the mandates of an existing body to coordinate all the institutions that deal with BPO in the short-term, while in the in the medium- to long-term, create a new entity (body corporate with power and a powerful champion) to coordinate ICTBPO activities across all ministries and public enterprises that have a role to play in ICT-BPO. In addition, strengthen KBPOCCS to be the key BPO industry association and create a strong ICT association. η) In order to address the lack of updated skills database, establish framework for collection and updating of ICT skills data and task the national body responsible for ICT-BPO coordination to be established as recommended under institutional framework with this responsibility. ι) Fast-track implementation of integration of ICT into education as defined in Sessional Paper No. 1 of 2005 on Policy Framework for Education, Training and Research and the National Strategy for Education and Training (2006). φ) In order to address BPO skills sets, create a policy and strategy on ICT-BPO skills requirements and mainstream into relevant ministries for implementation. κ) Develop and implement a marketing, branding and positioning strategy for Kenya.